

**TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE**



FISCAL NOTE

SB 1379 – HB 1719

March 27, 2011

SUMMARY OF BILL: Exempts from state and local sales tax the retail sale of the following items when used by newborns or infants: clothing, which shall only include onesies, short-sleeved tees, and socks with a sales price of \$10 or less per item; car seats and lightweight or standard strollers with a sales price of \$100 or less per item; cribs with a sales price of \$150 or less per item, and crib mattresses with a sales price of \$100 or less per item; diapers and wipes; baby food with a sales price of \$10 or less per item; and baby formula with a sales price of \$50 or less per item.

ESTIMATED FISCAL IMPACT:

Decrease State Revenue – Net Impact - \$18,419,400

Decrease Local Revenue - \$7,781,600

Assumptions:

- According to the Department of Revenue (DOR), and based on data relative to infants and newborns from the Tennessee Commission on Children and Youth, and based on taxable sales data relative to infant and newborn goods, taxable sales for the exempted items as proposed is estimated to be \$275,800,000 per year.
- A state sales tax rate of 7.0 percent and a local option sales tax rate of 2.5 percent.
- Pursuant to Tenn. Code Ann. § 67-6-103(a)(3)(A), local governments receive 4.5925 percent of all state sales tax revenue as state-shared sales tax revenue.
- Local governments are not held harmless from the loss of state-shared tax revenue.
- The net decrease in state revenue will be \$18,419,372 $[(\$275,800,000 \times 7.0\%) - (\$275,800,000 \times 7.0\% \times 4.5925\%)]$.
- The decrease in local government revenue will be \$7,781,628 $[(\$275,800,000 \times 2.5\%) + (\$275,800,000 \times 7.0\% \times 4.5925\%)]$.

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CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in blue ink, appearing to read "James W. White". The signature is fluid and cursive, with a large initial "J" and "W".

James W. White, Executive Director

/rnc